

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Vevay
Ingham County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Vevay
Ingham County, Michigan
March 31, 2004
BOARD OF TRUSTEES

Ronald J. Weesies

Supervisor

Susan C. Kosier

Clerk

Linda S. Diamond

Treasurer

Jolinda J. Fulton

Trustee

Dale A. Ruttan

Trustee

Township of Vevay
TABLE OF CONTENTS
March 31, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Group	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental and Similar Trust Fund Types	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types	6-7
Notes to General Purpose Financial Statements	8-15
SUPPLEMENTAL FINANCIAL INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	16-21
Schedule of Revenues and Expenditures - Construction Code	22
SPECIAL REVENUE FUNDS	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Statement of Revenues, Expenditures, and Changes in Fund Balance by Fund - Budget and Actual	25
TRUST AND AGENCY FUNDS	
Combining Balance Sheet	26
Agency Funds Statement of Changes in Assets and Liabilities	27
COMPONENT UNIT FUND	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Downtown Development Authority	28

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Vevay
Mason, Michigan

We have audited the accompanying general purpose financial statements of the Township of Vevay, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Vevay, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Vevay, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 24, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Vevay

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Primary		
	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Trust and Agency
ASSETS			
Cash	\$ 173,960	\$ 1,647	\$ 184,024
Investments	282,841	-	28,510
Receivables			
Accounts	41,670	-	200
Interest	608	-	-
Taxes	7,663	-	-
Special assessments	77,097	-	-
Due from other funds	27,972	470	-
Due from primary government	-	-	-
General fixed assets	-	-	-
TOTAL ASSETS	<u>\$ 611,811</u>	<u>\$ 2,117</u>	<u>\$ 212,734</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 9,789	\$ -	\$ 1,360
Accrued liabilities	16,370	-	-
Due to other governmental units	5,722	-	87,724
Due to other funds	-	101	28,341
Due to component unit	-	-	61,922
Deferred revenue	72,611	-	-
TOTAL LIABILITIES	104,492	101	179,347
FUND EQUITY			
Investment in general fixed assets	-	-	-
Reserved for endowment	-	-	29,896
Unreserved			
Undesignated	507,319	2,016	3,491
TOTAL FUND EQUITY	<u>507,319</u>	<u>2,016</u>	<u>33,387</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 611,811</u>	<u>\$ 2,117</u>	<u>\$ 212,734</u>

See accompanying notes to general purpose financial statements.

Government		Component Unit	
Account Group			
General Fixed Assets	Totals (Memorandum Only)	Downtown Development Authority	Reporting Entity Totals (Memorandum Only)
\$ -	\$ 359,631	\$ 171,246	\$ 530,877
-	311,351	-	311,351
-	41,870	-	41,870
-	608	-	608
-	7,663	-	7,663
-	77,097	-	77,097
-	28,442	-	28,442
-	-0-	61,922	61,922
403,453	403,453	-	403,453
<u>\$ 403,453</u>	<u>\$ 1,230,115</u>	<u>\$ 233,168</u>	<u>\$ 1,463,283</u>
\$ -	\$ 11,149	\$ -	\$ 11,149
-	16,370	-	16,370
-	93,446	-	93,446
-	28,442	-	28,442
-	61,922	-	61,922
-	72,611	-	72,611
-0-	283,940	-0-	283,940
403,453	403,453	-	403,453
-	29,896	-	29,896
-	512,826	233,168	745,994
403,453	946,175	233,168	1,179,343
<u>\$ 403,453</u>	<u>\$ 1,230,115</u>	<u>\$ 233,168</u>	<u>\$ 1,463,283</u>

Township of Vevay

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR TRUST FUND TYPES

For the Year Ended March 31, 2004

	Primary		Fiduciary
	Governmental Funds		Fund Type
	General	Special Revenue	Cemetery Expendable Trust
REVENUES			
Taxes	\$ 196,811	\$ -	\$ -
Licenses and permits	31,604	-	-
Intergovernmental	251,459	-	-
Charges for services	37,614	-	600
Interest and rents	21,765	-	463
Special assessments	17,608	1,525	-
Other	14,075	-	299
TOTAL REVENUES	570,936	1,525	1,362
EXPENDITURES			
General government	223,890	-	2,644
Public safety	89,953	-	-
Public works	86,395	1,233	-
Community and economic development	30,913	-	-
Capital outlay	37,064	-	-
Other	73,072	-	-
TOTAL EXPENDITURES	541,287	1,233	2,644
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,649	292	(1,282)
Fund balances, beginning of year	477,670	1,724	34,669
Fund balances, end of year	<u>\$ 507,319</u>	<u>\$ 2,016</u>	<u>\$ 33,387</u>

See accompanying notes to general purpose financial statements.

<u>Government</u>	<u>Component Unit</u>	
<u>Totals (Memorandum Only)</u>	<u>Downtown Development Authority</u>	<u>Reporting Entity Totals (Memorandum Only)</u>
\$ 196,811	\$ 61,697	\$ 258,508
31,604	-	31,604
251,459	-	251,459
38,214	-	38,214
22,228	742	22,970
19,133	-	19,133
14,374	-	14,374
<u>573,823</u>	<u>62,439</u>	<u>636,262</u>
226,534	-	226,534
89,953	-	89,953
87,628	-	87,628
30,913	11,966	42,879
37,064	-	37,064
73,072	-	73,072
<u>545,164</u>	<u>11,966</u>	<u>557,130</u>
28,659	50,473	79,132
<u>514,063</u>	<u>182,695</u>	<u>696,758</u>
<u>\$ 542,722</u>	<u>\$ 233,168</u>	<u>\$ 775,890</u>

Township of Vevay

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

For the Year Ended March 31, 2004

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 158,050	\$ 196,811	\$ 38,761
Licenses and permits	30,554	31,604	1,050
Intergovernmental	295,000	251,459	(43,541)
Charges for services	25,400	37,614	12,214
Interest and rents	26,000	21,765	(4,235)
Special assessments	21,000	17,608	(3,392)
Other	11,300	14,075	2,775
TOTAL REVENUES	567,304	570,936	3,632
EXPENDITURES			
General government	244,201	223,890	20,311
Public safety	104,070	89,953	14,117
Public works	70,500	86,395	(15,895)
Community and economic development	47,700	30,913	16,787
Capital outlay	72,189	37,064	35,125
Other	93,802	73,072	20,730
TOTAL EXPENDITURES	632,462	541,287	91,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(65,158)	29,649	94,807
OTHER FINANCING USES			
Operating transfers out	(25,000)	-	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(90,158)	29,649	119,807
Fund balances, beginning of year	477,670	477,670	-0-
Fund balances, end of year	\$ 387,512	\$ 507,319	\$ 119,807

See accompanying notes to general purpose financial statements.

Special Revenue Funds

Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -0-
-	-	-0-
-	-	-0-
-	-	-0-
-	-	-0-
1,600	1,525	(75)
-	-	-0-
1,600	1,525	(75)
-	-	-0-
-	-	-0-
1,600	1,233	367
-	-	-0-
-	-	-0-
-	-	-0-
1,600	1,233	367
-0-	292	292
-	-	-0-
-0-	292	292
1,724	1,724	-0-
<u>\$ 1,724</u>	<u>\$ 2,016</u>	<u>\$ 292</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP

Township of Vevay, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Township of Vevay (primary government) and its component unit (Downtown Development Authority). The component unit described in Section 2 below is included in the Township's reporting entity because of the significance of the operational and financial relationship with the Township.

Based upon the application of these criteria, the combined financials statements of the Township of Vevay contain all the funds and account groups controlled by the Township Board.

2. Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the Township's component unit (Downtown Development Authority). It is reported in a separate column to emphasize that it is legally separate from the Township.

The governing body of the Downtown Development Authority is a nine (9) member board appointed by the Township Board. The Authority's budget is subject to the approval of the Township Board, and the Township temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Basis of Presentation

The accounts of the Township primary government and component unit are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

- a. Trust Fund - The Trust Fund is used to account for assets held by the Township in a trustee capacity for individuals. The Expendable Trust Fund is accounted for in essentially the same manner as governmental funds.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP - CONTINUED

3. Basis of Presentation - continued

FIDUCIARY FUNDS - CONTINUED

- b. Agency Funds (Current Tax Collections and Insurance) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

COMPONENT UNIT FUND

- a. Special Revenue - Downtown Development Authority Fund - The Downtown Development Authority Fund is used to account for the proceeds of specific revenue sources (tax increment financing revenue) that are restricted to expenditures for specified purposes.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets of the Township.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental, component unit and similar trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental, agency and component unit funds are accounted for using the modified accrual basis of accounting. Under this method, their revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Accounting - continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

3. Budgets and Budgetary Accounting

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Supervisor submits to the Township Board the proposed operating budgets for the fiscal year commencing the following April 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1, the budget is legally adopted with passage by Board vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were not material to the originally adopted budget.

4. Cash and Investments

Cash consists of checking accounts.

Investments consist of certificates of deposit with an original maturity of greater than 90 days. Investments are recorded at market value in accordance with the implementation of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

5. Property Tax

The Township of Vevay bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Property Tax - continued

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied .9170 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$100,762,137. The Township also receives property tax revenue as a result of Public Act 425 Agreements with the City of Mason. For the year ended March 31, 2004, the Township received \$47,787 from these agreements.

6. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental and component unit fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental and component fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present assets, liabilities, and fund balance, and revenues, expenditures, and changes in fund balance in conformity with accounting principles generally accepted in the United States of America; neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE C: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

The Township's cash and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Cash		
Checking accounts	\$ 366,052	\$ 366,087
Investments		
Certificates of deposit	<u>311,351</u>	<u>311,351</u>
	677,403	677,438
COMPONENT UNIT		
Cash		
Checking accounts	<u>171,246</u>	<u>171,246</u>
	<u>\$ 848,649</u>	<u>\$ 848,684</u>

The cash and cash equivalents caption on the combined balance sheet includes \$200 in petty cash.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$398,510, and the amount of \$450,174 was uninsured and uncollateralized.

Township of Vevay

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH AND INVESTMENTS - CONTINUED

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

The cash and investments referred to above have been reported in either the cash or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash	\$ 366,252	\$ 171,246	\$ 537,498
Investments	<u>311,351</u>	<u>-</u>	<u>311,351</u>
	<u>\$ 677,603</u>	<u>\$ 171,246</u>	<u>\$ 848,849</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at March 31, 2004:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		Special Revenue	
Eden Street Lighting	\$ 25	Eden Street Lighting	
Lone Oak Street Lighting	76	General	\$ 25
Current Tax Collections	<u>27,871</u>	Lone Oak Street Lighting	
		General	<u>76</u>
	27,972		101
Special Revenue		Trust and Agency	
Eden Street Lighting		Current Tax Collections	
Current Tax Collections	120	General	27,871
Lone Oak Street Lighting		Eden Street Lighting	120
Current Tax Collections	<u>350</u>	Lone Oak Street Lighting	<u>350</u>
	<u>470</u>		<u>28,341</u>
	<u>\$ 28,442</u>		<u>\$ 28,442</u>

The following schedule details interfund receivables and payables related to the component unit at March 31, 2004:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Downtown Development Authority		Trust and Agency	
Current Tax Collections	<u>\$ 61,992</u>	Current Tax Collections	
		Downtown Development Authority	<u>\$ 61,992</u>

Township of Vevay

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE E: FIXED ASSETS

The following schedule summarizes the changes in components of the General Fixed Assets Account Group:

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2004</u>
Land	\$ 142,753	\$ -	\$ -	\$ 142,753
Buildings and Improvements	179,483	-	-	179,483
Equipment	<u>46,962</u>	<u>34,255</u>	<u>-</u>	<u>81,217</u>
	<u>\$ 369,198</u>	<u>\$ 34,255</u>	<u>\$ -0-</u>	<u>\$ 403,453</u>

NOTE F: RISK MANAGEMENT

The Township is exposed to various risks of loss including in-land marine; property; liability; and workers' compensation for which the Township carries commercial insurance.

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Government			
Township Board	\$ 26,100	\$ 30,026	\$ 3,926
Assessor	28,800	33,071	4,271
General administration	18,750	22,113	3,363
Public Safety			
Police department	5,000	5,640	640
Community and Economic Development			
Zoning commission	2,450	3,196	746
Public Works			
Drain	5,000	11,165	6,165
Highways	54,000	71,592	17,592

NOTE H: FUND BALANCE RESERVE

Reserved fund balance indicates that portion of the fund balance, which the Township has set aside for specific purposes.

The following is the fund balance reserve as of March 31, 2004:

Trust and Agency	
Cemetery	
Reserved for endowment	<u>\$ 29,896</u>

Township of Vevay

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE I: RETIREMENT PLAN

The Township of Vevay is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Vevay Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on an employee's compensation actually paid throughout the plan year. During the year ended March 31, 2004, the Township of Vevay made contributions for all participating employees of 10% per employee, with the participating employees required to contribute 5% each.

All elected officials, the secretary, building inspector, zoning administrator, assessor, and any other Township employee who works 30 hours per week is eligible to participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with the Manulife Financial through the Manufacturers Life Insurance Company.

For the year ended March 31, 2004, the Township of Vevay had a total payroll of \$161,310. The Township of Vevay Retirement Plan covered payroll for the period ended March 31, 2004 of \$131,986. The Township of Vevay made contributions for the 2004 plan year to the retirement plan in the amount of \$13,199.

NOTE J: SUBSEQUENT EVENT

On May 4, 2004, the Township signed one (1) local road project agreement with the Ingham County Road Commission. The total of the contract calls for \$35,800 in roadwork to be performed on various roads that fall within the Township. The project costs will be paid from current operational funds of the Township upon completion of the road project. There appears to be sufficient General Fund operational funds available to satisfy these obligations.

NOTE K: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Township of Vevay no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, is optional, if elected to be reported, it must be implemented no later than the year ending March 31, 2009.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current property taxes	\$ 140,000	\$ 143,936	\$ 3,936
Delinquent property taxes	12,300	7,517	(4,783)
Penalties and interest	2,750	7,040	4,290
Trailer park taxes	3,000	-	(3,000)
Administration fees	-	38,318	38,318
Total taxes	158,050	196,811	38,761
Licenses and permits			
Building/zoning permits	16,000	21,708	5,708
Sewer connection fees	654	-	(654)
Special use permits	800	1,110	310
Cable television franchise fees	12,500	7,600	(4,900)
Miscellaneous fees and permits	600	1,186	586
Total licenses and permits	30,554	31,604	1,050
Intergovernmental			
State shared revenue	295,000	251,459	(43,541)
Charges for services			
Land division fees	1,000	625	(375)
Board of appeals fees	800	950	150
Tax collection fees	9,000	9,058	58
Plat review fees	300	1,800	1,500
Rezoning fees	500	-	(500)
Cemetery lots and grave openings	800	800	-0-
Fire runs	12,000	23,927	11,927
Miscellaneous	1,000	454	(546)
Total charges for services	25,400	37,614	12,214
Interest and rents			
Interest	20,000	8,908	(11,092)
Rentals	6,000	12,857	6,857
Total interest and rents	26,000	21,765	(4,235)
Special assessments			
Current special assessment	21,000	17,608	(3,392)

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES - CONTINUED			
Other			
Miscellaneous	\$ 600	\$ 37	\$ (563)
Proceeds from sale of fixed assets	300	-	(300)
Reimbursements	10,400	14,038	3,638
Total other	11,300	14,075	2,775
TOTAL REVENUES	567,304	570,936	3,632
EXPENDITURES			
General government			
Township board			
Salary and wages	6,700	6,068	632
Contractual services	1,000	1,970	(970)
Computer services	8,000	2,997	5,003
Supplies	200	244	(44)
Mileage	500	-	500
Printing and publishing	1,000	-	1,000
Membership and dues	4,500	3,458	1,042
Meetings and conferences	3,000	7,017	(4,017)
Miscellaneous	1,200	8,272	(7,072)
Total township board	26,100	30,026	(3,926)
Supervisor			
Salary and wages	25,920	24,415	1,505
Supplies	100	46	54
Printing and publishing	350	-	350
Education	150	50	100
Total supervisor	26,520	24,511	2,009
Clerk			
Salary and wages	31,428	32,214	(786)
Deputy clerk salary	11,000	4,340	6,660
Printing and publishing	3,000	1,362	1,638
Supplies	700	823	(123)
Education	300	495	(195)
Computer and software	1,000	-	1,000
Total clerk	47,428	39,234	8,194
Treasurer			
Salary and wages	29,112	29,840	(728)
Deputy treasurer salary	8,000	8,253	(253)

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Treasurer - continued			
Tax collection expense	\$ 1,800	\$ 1,194	\$ 606
Supplies	3,200	704	2,496
Education	1,600	560	1,040
Printing and publishing	300	50	250
Total treasurer	44,012	40,601	3,411
Assessor			
Salary and wages	26,000	30,750	(4,750)
Supplies	400	1,701	(1,301)
Contracted services	500	-	500
Education	600	390	210
Transportation	500	97	403
Printing and publishing	200	133	67
Computer and software	600	-	600
Total assessor	28,800	33,071	(4,271)
Township hall			
Salary and wages	8,000	7,463	537
Contracted services	3,000	349	2,651
Supplies	1,500	996	504
Utilities	4,000	4,213	(213)
Telephone	4,640	4,729	(89)
Cellular phones and pagers	1,800	1,776	24
Refunds	10,000	9,500	500
Repairs and maintenance	9,000	3,579	5,421
Miscellaneous	2,400	-	2,400
Total township hall	44,340	32,605	11,735
General administration			
Salary and wages	-	4,206	(4,206)
Attorney	13,650	14,819	(1,169)
Supplies	5,000	3,088	1,912
Transportation	100	-	100
Total general administration	18,750	22,113	(3,363)

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Board of review			
Salary and wages	\$ 2,361	\$ 1,336	\$ 1,025
Supplies	150	-	150
Printing and publishing	200	-	200
Education	200	-	200
Miscellaneous	100	-	100
Total board of review	3,011	1,336	1,675
Cemetery			
Contracted services	1,000	250	750
Repairs and maintenance	200	18	182
Total cemetery	1,200	268	932
Elections			
Salary and wages	3,000	178	2,822
Supplies	300	(288)	588
Contracted services	240	-	240
Printing and publishing	500	235	265
Total elections	4,040	125	3,915
Total general government	244,201	223,890	20,311
Public safety			
Fire department			
Fire protection	68,400	64,442	3,958
Police department			
Contracted services	5,000	5,640	(640)
Building inspector			
Supplies	250	-	250
Contracted services	30,420	19,871	10,549
Total building inspector	30,670	19,871	10,799
Total public safety	104,070	89,953	14,117

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Community and economic development			
Zoning commission			
Salary and wages	\$ 1,950	\$ 3,016	\$ (1,066)
Education	500	180	320
Total zoning commission	2,450	3,196	(746)
Planning commission			
Salary and wages	11,350	10,625	725
Supplies	100	320	(220)
Printing and publishing	600	2,037	(1,437)
Contracted services	32,000	13,246	18,754
Education	1,000	1,489	(489)
Miscellaneous	200	-	200
Total planning commission	45,250	27,717	17,533
Total community and economic development	47,700	30,913	16,787
Public Works			
Highways			
Repairs and maintenance	54,000	71,592	(17,592)
Sanitation			
Contractual services	5,000	3,343	1,657
Printing and publishing	300	295	5
Total sanitation	5,300	3,638	1,662
Drains			
Drains at large	11,200	11,165	35
Total public works	70,500	86,395	(15,895)
Capital outlay	72,189	37,064	35,125

Township of Vevay

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

For the Year Ended March 31, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Other			
Pension contributions	\$ 25,602	\$ 12,478	\$ 13,124
Social security	14,000	12,345	1,655
Contracted services	4,500	1,700	2,800
Insurance	25,200	22,250	2,950
Transportation	600	335	265
Health and life insurance	22,600	22,484	116
Miscellaneous	1,300	1,480	(180)
Total other	93,802	73,072	20,730
TOTAL EXPENDITURES	632,462	541,287	91,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(65,158)	29,649	94,807
OTHER FINANCING USES			
Operating transfer out	(25,000)	-	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(90,158)	29,649	119,807
Fund balance, beginning of year	477,670	477,670	-0-
Fund balance, end of year	\$ 387,512	\$ 507,319	\$ 119,807

Township of Vevay

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

For the Year Ended March 31, 2004

REVENUES

Licenses and permits

Building and zoning permits \$ 21,708

EXPENDITURES

Public safety

Building inspector

Contracted services 19,871

Community and economic development

Planning commission

Salaries and wages 10,625

Supplies 320

Printing and publishing 2,037

Contracted services 13,246

Education 1,489

Total planning commission 27,717

Total construction code expenditures 47,588

Excess of revenues (under) expenditures \$ (25,880)

Township of Vevay
Special Revenue Funds
COMBINING BALANCE SHEET
March 31, 2004

	Eden Street Lighting	Lone Oak Street Lighting	Total
ASSETS			
Cash	\$ 732	\$ 915	\$ 1,647
Due from other funds	120	350	470
TOTAL ASSETS	<u>\$ 852</u>	<u>\$ 1,265</u>	<u>\$ 2,117</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 25	\$ 76	\$ 101
FUND BALANCES			
Unreserved			
Undesignated	<u>827</u>	<u>1,189</u>	<u>2,016</u>
TOTAL FUND BALANCES	<u>827</u>	<u>1,189</u>	<u>2,016</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 852</u>	<u>\$ 1,265</u>	<u>\$ 2,117</u>

Township of Vevay

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

	Eden Street Lighting	Lone Oak Street Lighting	Total
REVENUES			
Special assessments	\$ 545	\$ 980	\$ 1,525
EXPENDITURES			
Public works	475	758	1,233
EXCESS OF REVENUES OVER EXPENDITURES	70	222	292
Fund balances, beginning of year	757	967	1,724
Fund balances, end of year	<u>\$ 827</u>	<u>\$ 1,189</u>	<u>\$ 2,016</u>

Township of Vevay

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY FUND -
BUDGET AND ACTUAL

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Eden Street Lighting</u>			
REVENUES			
Special assessments	\$ 600	\$ 545	\$ (55)
EXPENDITURES			
Public works	<u>600</u>	<u>475</u>	<u>125</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	70	70
Fund balance, beginning of year	<u>757</u>	<u>757</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 757</u>	<u>\$ 827</u>	<u>\$ 70</u>

<u>Lone Oak Street Lighting</u>			
REVENUES			
Special assessments	\$ 1,000	\$ 980	\$ (20)
EXPENDITURES			
Public works	<u>1,000</u>	<u>758</u>	<u>242</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	222	222
Fund balance, beginning of year	<u>967</u>	<u>967</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 967</u>	<u>\$ 1,189</u>	<u>\$ 222</u>

Township of Vevay
Trust and Agency Funds
COMBINING BALANCE SHEET
March 31, 2004

	Expendable Trust Funds	Agency Funds		
	Cemetery	Current Tax Collections	Insurance	Total
ASSETS				
Cash	\$ 6,037	\$ 177,987	\$ 6,621	\$ 184,024
Investments	28,510	-	-	28,510
Accounts receivable	200	-	-	200
TOTAL ASSETS	<u>\$ 34,747</u>	<u>\$ 177,987</u>	<u>\$ 6,621</u>	<u>\$ 212,734</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,360	\$ -	\$ -	\$ 1,360
Due to other funds	-	28,341	-	28,341
Due to component units	-	61,922	-	61,922
Due to other governmental unit	-	87,724	-	87,724
Due to individuals and agencies	-	-	6,621	-
TOTAL LIABILITIES	1,360	177,987	6,621	179,347
FUND BALANCES				
Reserved for endowment	29,896	-	-	29,896
Unreserved - undesignated	3,491	-	-	3,491
TOTAL FUND BALANCES	<u>33,387</u>	<u>-0-</u>	<u>-0-</u>	<u>33,387</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,747</u>	<u>\$ 177,987</u>	<u>\$ 6,621</u>	<u>\$ 212,734</u>

Township of Vevay

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

	Balance Apr. 1, 2003	Additions	Deductions	Balance Mar. 31, 2004
<u>Current Tax Collections Fund</u>				
ASSETS				
Cash	<u>\$ 721</u>	<u>\$ 3,684,318</u>	<u>\$ 3,507,052</u>	<u>\$ 177,987</u>
LIABILITIES				
Due to other funds				
General	\$ 721	\$ 143,774	\$ 116,624	\$ 27,871
Eden Street lighting	-	510	390	120
Lone Oak Street lighting	-	910	560	350
Due to component units				
Downtown Development Authority	-	61,922	-	61,922
Due to other governmental units				
County				
State Education Tax	-	483,985	481,573	2,412
Other	-	1,001,447	959,605	41,842
Schools	-	1,891,515	1,867,420	24,095
State of Michigan	-	84,408	65,033	19,375
Due to individuals and agencies	<u>-</u>	<u>15,847</u>	<u>15,847</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>\$ 721</u>	<u>\$ 3,684,318</u>	<u>\$ 3,507,052</u>	<u>\$ 177,987</u>
<u>Insurance Fund</u>				
ASSETS				
Cash	<u>\$ -</u>	<u>\$ 6,621</u>	<u>\$ -</u>	<u>\$ 6,621</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ -</u>	<u>\$ 6,621</u>	<u>\$ -</u>	<u>\$ 6,621</u>

Township of Vevay

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

For the Year Ended March 31, 2004

REVENUES

Taxes	\$ 61,697
Interest	<u>742</u>

TOTAL REVENUES	62,439
----------------	--------

EXPENDITURES

Community and economic development	
Contracted services	<u>11,966</u>

EXCESS OF REVENUES OVER EXPENDITURES	50,473
--------------------------------------	--------

Fund balance, beginning of year	<u>182,695</u>
---------------------------------	----------------

Fund balance, end of year	<u><u>\$ 233,168</u></u>
---------------------------	--------------------------

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of Vevay
Mason, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Vevay, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the Township's internal control and our discussions with management.

1. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

2. Budgets should be monitored and amended when necessary.

As noted in Note G of the annual financial statements, several functional classifications exceeded the amounts appropriated in the General Fund for the year ended March 31, 2004. The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for the General Fund and shall not incur expenditures in excess of the amount appropriated.

We suggest the Township periodically monitor the adopted budget for the General Fund and amend the budget as necessary throughout the year to alleviate unfavorable budget variances.

3. The Township should retain all supporting documentation for investments.

During the course of our audit, it was noted that the Township did not have supporting documentation for their certificates of deposit.

We suggest the Township retain all supporting documents and if information is not received by the Township from the bank for certificates of deposit, it should be requested.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated June 24, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Vevay, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 24, 2004